

UNITED STATES OF AMERICA  
**AGENCY FOR INTERNATIONAL DEVELOPMENT**  
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

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WEST AFRICA

March 27, 2000

**MEMORANDUM**

TO: Thomas E. Park, Director, USAID/Benin  
FROM: *Henry Barrett*  
Henry Barrett, RIG/Dakar  
SUBJECT: Audit of USAID/Benin's Democracy and Governance Special Objective,  
Audit Report No. 7-680-00-005-P

This memorandum is our final report on the subject audit. We have considered your comments to the draft report and have included them in their entirety as Appendix II. This audit report contains seven recommendations. Based on your comments to the draft report and subsequent evidence submitted to us, we consider that USAID/Benin has made a management decision at this time on all of the recommendations. In addition, we also agree that final action has taken place on Recommendation Nos. 1, 2, 3, 5, and 6. Please notify USAID's Management Innovation and Control Division, M/MPI/MIC, when final action is completed for Recommendation Nos. 4 and 7.

I appreciate the cooperation and courtesies extended to my staff during the audit.

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**Background**

The Government Performance and Results Act of 1993 (Results Act) was passed to improve federal program effectiveness and public accountability, by promoting a new focus on results, service quality, and customer satisfaction. The Results Act should also improve federal managers' service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality. Congressional decision making should also be improved by providing more objective information on achieving statutory objectives and on the relative effectiveness and efficiency of federal programs and spending.

In October 1995, the U.S. Agency for International Development (USAID) developed a new reporting system that included the Results Review and Resource Request (R4) report. This is the most significant performance report that the operating units send to their respective bureaus, and thus, senior USAID management must rely heavily on these reports for

decision-making purposes. USAID's Automated Directive System (ADS) requires that the information in the R4s shall be used, as appropriate, for internal USAID analyses, responding to external inquiries, and USAID-wide results reporting. USAID's 1998 Annual Performance Report, which responded to the Results Act, was based, in part, on the information provided in the R4s. According to the ADS,<sup>1</sup> a performance monitoring system is an organized approach or process for systematically monitoring the performance of a program, process, or activity towards its objectives over time. USAID's performance monitoring systems consist of: (1) performance indicators, (2) performance monitoring plans, (3) performance baselines, (4) collection of performance data, and (5) data quality.

USAID/Benin reported that its approach to improving democratic governance and affecting decentralization at the local level will combine: (1) decentralization in service provision (non-governmental organization [NGO] support/local government empowerment); (2) civil society development (NGO and professional networks strengthened); and (3) economic initiatives (access to appropriate technologies and credit), so that communities can play a more active role in managing available services. Through power sharing between the public and private sectors and/or local government, and through improving the legal and regulatory environment, USAID/Benin intends to increase the capacity of civil society to demand more transparent, accountable and efficient government. As of December 1999, USAID/Benin reported life of project funding for the principal grants under the democracy and governance special objective of \$7.2 million, and expenditures of \$2.2 million.

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## **Audit Objectives**

As an addition to our annual audit plan, RIG/Dakar completed the subject audit to answer the following audit questions:

**Did USAID/Benin ensure that Special Objective No. 1 (Democracy and Governance) was reaching its intended beneficiaries, and achieving its intended results?**

**Did USAID/Benin report results in its FY 2001 Results Review and Resource Request under Special Objective No. 1 (Democracy and Governance) that were objectively verifiable, supported, accurate, complete, and validated?**

Appendix I contains a discussion of the scope and methodology for the audit.

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## **Audit Findings**

**Did USAID/Benin ensure that Special Objective No. 1 (Democracy and Governance) was reaching its intended beneficiaries, and achieving its intended results?**

USAID/Benin generally ensured that the democracy and governance special objective was reaching its intended beneficiaries, and achieving its intended results, except for two control system problems which concerned grantee compliance with grant provisions.

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<sup>1</sup> ADS E203.5.5

In achieving intended results, USAID/Benin has actively participated in strengthening numerous NGOs' participation in national decision making. Through training assistance given by IFES (International Foundation for Election Systems) and Africare, NGOs have enhanced their managerial and financial skills. As a result, these NGOs have become more involved in national decision making and national affairs. Currently, some of these NGOs are playing more active roles in public policy.

Promoting "good governance" through its training programs, USAID/Benin emphasized the need for public awareness through its efforts of promoting the need for transparency and accountability. In addition, USAID/Benin has supported other methods of assuring that "good governance" is linked to good performance by its efforts in identifying the recruitment and training needs of the Government of Benin.

USAID/Benin has also made positive efforts in reaching intended beneficiaries with economic initiatives. One grantee, ATI (Appropriate Technology International), has been instrumental in providing technology transfer by the promotion and production of palm oil presses and water pumps. Another grantee, VITA (Volunteers in Technical Assistance), has helped to establish a micro-loan facility for small businesses.

However, USAID/Benin did not adequately monitor its grantee control systems to ensure that the provisions in their grant agreements were complied with. We found that two grantees' property management systems were not adequate, and they did not disclose USAID sponsorship on publications and other media products. These issues are discussed below.

#### **Grantee Property Management Systems Need Improvement**

Two grantees did not have adequate property management systems that met the requirements in their respective grant agreements. This occurred because USAID/Benin did not properly monitor the grantees to ensure that they had adequate property management systems to account for and safeguard project assets. As a result, USAID/Benin has less assurance that project assets are safeguarded and used for authorized project purposes only. This has also increased the risk of unauthorized use, loss or theft of property and equipment purchased for the project, thereby increasing the possibility that intended results of the project may not be achieved.

**Recommendation No. 1:** We recommend that USAID/Benin establish procedures to monitor grantees' property management and reporting systems under democracy and governance activities to ensure that property and equipment purchased with federal funds are managed and accounted for in accordance with USAID and federal regulations.

**Recommendation No. 2:** We recommend that USAID/Benin obtain confirmation that the funds received from the sale of the motorcycles under the Appropriate Technology International grant agreement are properly accounted for in accordance with the grant agreement and USAID and federal regulations.

Two grantees, Africare and ATI, purchased property and equipment with funding provided under their respective grant agreements. For the property management systems of these grantees, we found the following problems: (1) incomplete inventory identification for project equipment, (2) sale of project property undisclosed on inventory records, and (3) inability to reconcile physical inventory to inventory records.

We noted that equipment, defined by the Code of Federal Regulations, CFR 226.2(3), as property with an acquisition cost of \$5000 or more and a useful life of more than one year, was not adequately identified in the inventory schedules as required by federal regulations. Inventory schedules at both ATI and Africare did not contain required data fields such as serial number, model number, source of equipment, acquisition date, federal participation in cost, and future disposition of title. For example, ATI equipment, such as vehicles and generators, was not specifically identified by the items' serial numbers, source, title and federal participation. At Africare, a generator and vehicles were lacking several required data fields such as serial number, source, date of acquisition, and federal participation.

Additionally, we found that ATI had sold six of its motorcycles, purchased under the grant, to employees. In addition to not being shown on the property inventory records furnished to us, Mission staff stated that they were not aware of these transactions, although the regional contracting officer stated that he was consulted about the sales and did not object to them.

Our physical inventory of grantee property and equipment did not completely reconcile to the inventory records that one grantee provided to us. We were unable to reconcile Africare's inventory records between Africare's main office in Cotonou and one of its suboffices. For example, our physical inventory at Africare's office in Parakou, Benin indicated that 19 items were located at that office. However the items were not identified on the inventory schedule given to us by Africare Cotonou. Due to incomplete property records, we were unable to reconcile the items located on the two inventory schedules. Therefore, we concluded that the recipient's property management system was not adequate to safeguard and ensure that the property purchased under the grant was used for authorized purposes.

CFR 226.21(3) states that recipients' financial management systems shall provide for effective control over and accountability for all funds, property and other assets. Recipients shall also adequately safeguard all such assets and assure they are used solely for authorized purposes. CFR 226.30 states that the recipient may use its own property management standards and procedures provided it observes other relevant sections under CFR 226.

Automated Directive System (ADS) 203.5.1a states that strategic objective teams and activity managers shall track inputs, outputs and processes to ensure that activities are proceeding as expected and are contributing to intermediate results and strategic objectives as anticipated. However, USAID/Benin did not adequately monitor the grantees to ensure that they had adequate property management systems to account for and safeguard project assets. Mission staff stated that they were aware of the specific requirements regarding inventory management and reporting. However, they also stated that USAID/Washington advised them not to micro-manage activities. Although the Mission had noted in its FY 1999 Internal Control Assessment: Management Control Checklist that a follow-up system needed to be in

place for its contractors' property records, this system was not yet implemented. Therefore, the Mission had concentrated on monitoring the results of the ATI and Africare projects and not on monitoring inputs such as property and equipment.

As a result of inadequate monitoring and incomplete property management systems, USAID/Benin had less assurance that project assets were safeguarded and used for authorized purposes only. Inadequate grantee property management systems increase the risk of unauthorized use, loss or theft of property and equipment purchased for the project, thereby increasing the possibility that intended results of the project may not be achieved.

### **Publications and Other Media Products Funded Under USAID Grants Should Acknowledge USAID Sponsorship**

Two grantees had not properly acknowledged USAID sponsorship in publications and other information/media products funded under their respective grants as required. This occurred because one grantee reportedly believed that the community did not want to accept handouts from the government, and therefore did not want to acknowledge USAID participation. Also, Mission staff stated that their monitoring was results oriented and, therefore, did not closely monitor the disclosure of USAID sponsorship in publications. As a result, USAID has not received full public recognition for the funding provided under the democracy and governance special objective.

**Recommendation No. 3: We recommend that USAID/Benin establish procedures to ensure that applicable publications and other applicable information/media products under its democracy and governance activities are properly marked to acknowledge USAID funding as required by the standard provisions in the grant agreements.**

Africare and ATI did not properly acknowledge USAID sponsorship in publications and/or information/media products funded or partially funded through their grants as required by their respective grant agreements. One aspect of ATI activities was to assist manufacturers in the marketing of water pumps. With funds provided by its grant, ATI ordered television and radio announcements, the production of bill board-type signs and the printing of various promotional brochures used in the marketing of these pumps. However, we noted that, the promotional brochures contained no acknowledgement of USAID sponsorship, although the grantee's logo was prominently displayed on the brochures.

Under its grant, Africare was involved in the training of NGOs, which involved the preparation and distribution of training manuals for the various courses that it offered. We found, for example, that the training manuals for the courses entitled "Formation Sur le Suivi et l'Evaluation des Projets Communautaires" and "Formation Sur la Planification et la Mise en Oeuvre des Activites" contained no acknowledgement of USAID participation. The grantee's logo, however, was prominently displayed on the cover of the manuals.

Attachment 3, paragraph 3.15 of ATI's and Africare's grant agreements states that USAID should be prominently acknowledged in all publications, videos or other information/media

products funded or partially funded through the grant agreements. The ADS glossary defines "publication" as a generic term used to describe printed media such as periodicals, magazines and journals, brochures, and pamphlets.

Mission staff stated that they were aware of the specific requirements regarding acknowledgment of USAID's participation in the project. However, specifically for ATI, Mission staff stated that they did not insist on the usage of logos because of ATI's philosophy that the community did not want to accept handouts from the government. Therefore, they felt it was not a good idea to use the USAID logo. For both grantees, Mission staff stated that to closely monitor the acknowledgement of USAID on publications financed under the agreements would give the appearance that they were micro-managing the various activities instead of being results oriented.

As a result of the above, USAID was not receiving the full public acknowledgement and recognition for the funding which was being provided under the democracy and governance special objective.

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**Did USAID/Benin report results in its FY 2001 Results Review and Resource Request under Special Objective No. 1 (Democracy and Governance) that were objectively verifiable, supported, accurate, complete, and validated?**

USAID/Benin reported results in its FY 2001 Results Review and Resource Request under Special Objective No. 1 (Democracy and Governance) that generally were objectively verifiable, supported, accurate, clearly defined, and validated; however, there were certain exceptions that did not completely conform to USAID and federal guidance. We determined that there were problems with respect to certain aspects of the indicators being adequately supported, accurate, clearly defined, and validated. In the related area of internal control systems, we also found that the performance monitoring system was not complete.

USAID/Benin reported results for three indicators for Democracy and Governance in its FY 2001 R4. The three indicators were (1) number of functional civil society organizations in targeted areas, (2) number of annual audits performed by supreme audit institutions, and (3) percentage of loans serving the very poor including women.

We found that all three of the indicators were objective. An indicator is considered objective if it is unambiguous about what is being measured and what data are being collected. Objective indicators have clear operational definitions that are independent of the person conducting the measurement. Based on this criterion, all three of the indicators were objective, with clear operational definitions independent of someone conducting the measurement. One indicator did, however, have a definition problem that is discussed below under documentation.

For the civil society indicator and the percentage of loans indicator we determined that the reported results were adequately supported by source documents that were maintained and readily available. The evidence was relevant, competent and sufficient per federal guidance.

Concerning accuracy, we determined that the indicators for Supreme Audit Institution (SAI) audits and percentage of loans were valid, free of measurement error, representative of the population being measured, and free of transcription errors.

With respect to being clearly defined, an indicator is considered clearly defined if the data are reliable, timely and documented. Reliability refers to the stability or consistency of the data collection process that reflects real changes rather than variations in data collection methods. Timeliness refers to frequency and currency. Data should be reported for the immediate past fiscal year. Documentation refers to the recording of important considerations and assumptions as well as detailed specifications such as a comprehensive operational definition and unit of measurement. We determined that all indicators had stable or consistent data collection processes. Also, the indicators for the number of civil societies and percentage of loans were adequately documented.

In addition to the above, we examined whether the data for reported results were validated. An indicator is validated when the data quality has been adequately assessed. Data quality will be assessed as part of the process of establishing performance indicators and choosing data collection sources and methods. Data quality will be reassessed as is necessary, but at intervals of no greater than three years. We determined that data were adequately assessed when the indicators for the number of civil societies and percentage of loans were established. Through examination of grantee technical proposals, the controls included in the respective agreements, and site visits, USAID/Benin was able to adequately assess the quality of data for these two indicators.

However, we determined that there were exceptions with respect to certain indicators being adequately supported, accurate, complete, and validated. In the related area of internal control systems, we also found that the performance monitoring system was not complete. These exceptions are discussed in detail below and summarized in a table in Appendix III.

#### **Data Quality Needs Improvement**

We found several instances in which data quality for reported performance indicators did not meet the standards set forth in USAID and federal guidance. This occurred because of the problems associated with the first year of reporting under the new Mission strategy, in addition to the fact that the Mission was without a program officer between July 1997 and February 1999. As a result, USAID has less assurance that program and budget decisions are practical, resources are used efficiently, the requirements of federal legislation are met, and the information needs of USAID are addressed.

**Recommendation No. 4: We recommend that USAID/Benin establish procedures to ensure that the data quality for indicators in its democracy and governance strategic framework conforms to USAID and federal requirements.**

We found instances in which data quality did not meet the standards set forth in USAID and federal guidance for support, accuracy, and completeness.

### Supported

The General Accounting Office's (GAO) "Standards for Internal Controls" requires that transactions be supported by source documents that are maintained and readily available. The evidence should be relevant, competent and sufficient. Using the above criteria, one indicator did not have adequate evidence to support the reported result.

- The indicator for the number of audits performed by supreme audit institutions (SAI) was taken from two questionnaires completed by the two SAIs, in addition to other oral evidence. The questionnaires were neither dated nor signed, nor identified the individual audit reports by any specific designation, such as report title, subject or report number. Furthermore, one of the SAIs stated that its reports were confidential and could not be released for review. With neither specific identification nor means of verifying the results, the Mission had little competent evidence to support its reported results, and little assurance that the reported results met other data quality standards. For this indicator to be used, sufficient and competent evidence needs to be obtained.

### Accurate

USAID's Center for Development Information and Evaluation publishes guidance on performance monitoring and evaluation entitled TIPS. TIPS No. 12 states that an indicator is accurate if it is valid, free of measurement error, representative of the population being measured, and free of transcription errors. Based on the above, one indicator was not correctly transcribed and computed.

- The definition for the number of functional civil society organizations (126 organizations) was the number of organizations that exhibited each of five different characteristics considered necessary for viable organizations. The source of the indicator was a survey conducted by a Mission contractor. In transcribing the result, however, Mission staff incorrectly computed the figure that was reported, which represented the average number of organizations with at least one characteristic, not all five characteristics as intended. The actual number of organizations with all five characteristics is somewhere between zero and 33. Normally this indicator should be recalculated to maintain comparability between years. However, since USAID/Benin is replacing it with a different indicator in the next year's R4, no recalculation is necessary.

### Complete

TIPS No. 12 states that an indicator is clearly defined if the data are reliable, timely and documented. Reliability refers to the stability or consistency of the data collection process that reflects real changes rather than variations in data collection methods. Timeliness refers to frequency and currency. Data should be reported for the immediate past fiscal year. Documentation refers to the recording of important considerations and assumptions as well as detailed specifications such as a comprehensive operational definition and unit of measurement. Based on the above, none of the three indicators met the timeliness standard for reporting results from the immediate past fiscal year which was fiscal year 1998.



- The indicator for the number of audits performed by SAIs had no time period notation in the R4. However, Mission staff stated that the period was for calendar year 1998. Since this period is different than the U.S. fiscal year, it should be disclosed.
- The indicator for number of functional civil society organizations was defined as total count per year. However, the contractor's survey indicates that this count may represent a point in time and not the number of organizations operating for the total year. This distinction should be clarified.
- The indicator for the percentage of loans was defined as percentage per year. However, the Mission partner reported results for only four months of loan activity, from August to November 1998. This period does not coincide with the fiscal year end nor the calendar year end, nor is it a complete year. The length and end of the period should be disclosed.

Also under the standard for clearly defined, one indicator had documentation problems with respect to the indicator definition and source of data.

- The indicator for the number of audits performed by SAIs did not define the term "performed." The actual number reported (56) represented audits with completed reports, in addition to audits in process, as well as those awaiting comments. Since the Mission did not have any of these audits specifically identified by report title or number, this definition could lead to double counting the currently in-process audits in the next period. Another issue with this indicator is the reported source of the data, which was described as the SAI provisional report on audits. The actual source, however, was a questionnaire completed by the two SAIs and not a provisional report on audits. These documentation issues need to be addressed.

Mission staff stated that this was the first year of reporting under the new strategy and the Mission was without a program officer between July 1997 and February 1999. Mission staff believed that they had not had time to comply with all of the requirements for data quality. They are in the process of reevaluating the roles of all players in the country strategic plan and there are some transitional issues from the old objective to the new objective that need to be dealt with. They would like to systematize implementation reviews and put all the required components of a performance monitoring plan and data requirements into one data base, e.g. targets, indicators, etc., but to date have not had a chance to do it.

USAID's results-oriented management approach relies on managers to make their decisions with performance information. Sound decisions require accurate, current, and reliable information, and the benefits of this results-oriented approach depend substantially on the quality of the performance information available. Without quality performance indicators and data USAID cannot ensure that program and budget decisions are as well informed as practically possible, resources are used efficiently, the requirements of federal legislation are met, and information needs of USAID are addressed.

### **Data Assessments Are Incomplete**

USAID/Benin did not have a clearly defined data assessment that was in accordance with USAID guidance for the indicator reporting the number of annual audits performed by SAIs. This occurred because this was the first year of reporting under the new strategy and the Mission was without a program officer from July 1997 to February 1999. Also, Mission staff were not completely familiar with the data assessment requirements of the ADS. As a result, USAID had less assurance that program and budget decisions were practical and resources were used efficiently, the requirements of federal legislation were met, and information needs of USAID were addressed.

**Recommendation No. 5:** We recommend that USAID/Benin establish procedures to ensure that data assessments for each indicator for democracy and governance are completed in accordance with USAID and federal guidance.

**Recommendation No. 6:** We recommend that USAID/Benin complete a data assessment for the Supreme Audit Institution indicator to provide for periodic review of data collection, maintenance, and processing and to ensure that the procedures are consistently applied and continue to be adequate.

USAID/Benin did not have clearly defined data assessments for one of its three indicators. We determined whether the data for reported results were validated by verifying that the data quality had been adequately assessed. Data quality will be assessed as part of the process of establishing performance indicators and choosing data collection sources and methods. Data quality will be reassessed as is necessary, but at intervals of no greater than three years.

The extent of the assessment depends on the type of data source. For a secondary source such as the host government, we evaluated USAID/Benin's data quality assessments based on the following criteria:

- Did the assessment provide for periodic review of data collection, maintenance, and processing by the second party to ensure that the procedures are consistently applied and continued to be adequate?
- Did the Mission rely on independent audits or other established procedures for ensuring quality financial information when performance measures require the use of financial information?
- Did the Mission's assessment appropriately address known data quality problems?

For the indicator reporting the number of annual audits performed by SAIs, which is a secondary source indicator, USAID/Benin did not conduct a data assessment when initially establishing the indicator. There was no provision for the periodic review of data collection, maintenance, and processing by the SAIs. Also, the Mission did not address the known data quality problem concerning the fact that one SAI considered its audit reports as confidential and would not permit a review or other verification of the number of audits performed.

Mission staff stated that, in addition to being the first year of reporting under the new strategy, the Mission was without a program officer from July 1997 to February 1999. Also, they stated that they were not completely familiar with the data assessment requirements of the ADS. The staff stated that they were not aware of the specific requirements for completing data assessments for the various types of data sources and the requirement for an assessment when initially establishing indicators.

USAID's results-oriented management approach relies on managers to make their decisions by using performance information. Sound decisions require accurate, current, and reliable information, and the benefits of this results-oriented approach depend substantially on the quality of the performance information available. Without quality data, USAID cannot ensure that program and budget decisions are as well made as practically possible, resources are used efficiently, the requirements of federal legislation are met, and information needs of USAID are addressed.

#### **Performance Monitoring Plan Is Incomplete**

USAID/Benin did not have a clearly defined performance monitoring plan (PMP) that complied with USAID guidance. This occurred because of the problems associated with the first year of reporting under the new Mission strategy, in addition to the fact that the Mission was without a program officer from July 1997 to February 1999. Without a proper performance monitoring plan, USAID/Benin is without a critical tool for planning, managing, and documenting data collection. Without a complete plan, the Mission does not have assurance that it is maintaining the elements that are essential to the operation of a credible and useful performance-based management system.

#### **Recommendation No. 7: We recommend that USAID/Benin develop a performance monitoring plan that conforms to USAID guidance.**

USAID/Benin did not have a clearly defined performance monitoring plan that complied with USAID guidance. Although the country strategic plan had a section entitled "Performance Monitoring Plan," the section simply described several attributes of a plan, but was not a performance monitoring plan itself. The Mission had no other document that represented its performance monitoring plan. The information, however, in the Mission's latest R4 and in the country strategic plan partially met two of the requirements of a plan that concern indicator unit of measure and the identification of data sources. The indicators in the R4 included a description and unit of measure for the data as well as the source of the data. The indicators in the country strategic plan, however, only provided the description of the indicator, but identified no source for the data.

USAID/Benin did not have any other document that contained the other required components of a performance monitoring plan. There was no document that provided an explanation for the method of collection from primary and secondary sources, the frequency and schedule of data collection, and responsibilities for acquiring data.

ADS 203.5.5 states that performance monitoring plans shall be prepared for the USAID strategic framework and for each operating unit's strategic plan. Information included shall enable comparable performance data to be collected over time, even in the event of staff turnover, and shall clearly articulate expectations in terms of scheduling and responsibility. Specifically, performance monitoring plans shall provide a detailed definition of the performance indicators that will be tracked; specify the source, method of collection and schedule of collection for all required data; and assign responsibility for collection to a specific office, team or individual.

TIPS No. 7 states that a strategic plan will have identified preliminary performance indicators, adding that the performance monitoring plan builds on this initial information. The definition of the indicator and the unit of measure should be detailed enough to ensure that different people at different times would collect identical types of data. The source for each indicator must also be identified.

The plan should note whether the method of data collection is primary data collection or is based on existing secondary data. For primary data collection the plan should consider (1) the unit of analysis, (2) data desegregation needs, (3) sampling techniques for selecting cases, and (4) techniques or instruments for acquiring data on selected cases. For secondary data collection, the plan should give the method of calculating the specific indicator data point and the sources of data. Issues of data quality and reliability should also be noted.

Comparable data must be gathered periodically to measure performance, with the frequency of collection depending on the type of data. Performance monitoring plans can usefully provide the schedules and dates for data collection. The schedules should consider management's need for timely information for decision making. For each performance indicator, the responsibility of the Mission for the timely collection of data from their source should be clearly assigned to a particular office, team, or individual.

As with other problem areas previously discussed in this report, Mission staff stated that this was the first year of reporting under the new strategy and the Mission was without a program officer from July 1997 to February 1999. Mission staff believed that they had not had time to complete a performance monitoring plan with all of the required components. They are in the process of reevaluating the roles of participants in the country strategic plan and addressing transitional issues with the new objective. They would like to systematize implementation reviews and put all the required components of a performance monitoring plan into one data base, e.g. targets, indicators, etc., but have not yet had a chance to do this.

Without a proper performance monitoring plan, USAID/Benin is without a critical tool for planning, managing, and documenting data collection. The performance monitoring plan contributes to the effectiveness of the performance monitoring system by assuring that comparable data will be collected on a regular and timely basis. Without a complete plan, the Mission does not have assurance that it is maintaining the elements that are essential to the operation of a credible and useful performance-based management system.

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## **Management Comments and Our Evaluation**

USAID/Benin generally agreed with the findings and recommendations in the audit report and has already taken action to reach a management decision on all recommendations and final action on five recommendations at the time of publication of this report.

Regarding Recommendation No. 1, the Mission has provided evidence that it has established procedures to incorporate a review of partner inventory management controls during regular activity site visits. We agree that these procedures constitute adequate corrective action for this recommendation. Therefore, we consider the Mission to have made a management decision and to have taken final action on this recommendation.

Concerning Recommendation No. 2, USAID/Benin has provided evidence that it has contacted the partner's CPA firm and confirmed that the partner has offset the proceeds from the equipment sales against the equipment expense account. Consequently, we consider that the USAID/Benin has obtained confirmation that funds from the motorcycle sales have been properly accounted for. Therefore, we consider USAID/Benin to have made a management decision and taken final action on this recommendation.

With respect to Recommendation No. 3, the Mission has provided evidence that it has established procedures to incorporate a review of partner compliance with marking requirements during regular activity site visits. We agree that these procedures are adequate corrective action for this recommendation, and therefore, we consider the Mission to have made a management decision and taken final action.

Regarding Recommendation No. 4, USAID/Benin has provided evidence that it has plans to incorporate the recommended procedures in its performance monitoring plan which it is currently working on. In the meantime, the Mission is preparing a Mission Notice with additional procedures to ensure that data quality is maintained prior to the completion of the performance monitoring plan. We agree that the proposed corrective actions are appropriate for the recommendation, and, therefore, consider that a management decision has been reached at this time for this recommendation.

Concerning Recommendation No. 5, USAID/Benin has provided evidence that it has established procedures to assess the quality of each of its democracy and governance indicators based on appropriate criteria. Checklists have been prepared and procedures for review and approval have also been implemented. We agree that these procedures are adequate corrective action for this recommendation, and, therefore, consider that a management decision has been made and final action has been taken.

Regarding Recommendation No. 6, USAID/Benin has furnished evidence that it has performed an assessment on the quality of data for the Supreme Audit Institution indicator. Additionally, the Mission has incorporated site visits into the draft annual action plan with the Supreme Audit Institution to provide for future data quality assessments. We agree that these actions and procedures are adequate corrective action for this recommendation. We,

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therefore, consider that a management decision has been made and final action has been taken.

For Recommendation No. 7, USAID/Benin has provided evidence that it has a firm plan to develop an adequate performance monitoring plan. We consider this appropriate corrective action, and, therefore agree that a management decision has been reached at this time.

## SCOPE AND METHODOLOGY

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### Scope

We audited USAID/Benin's democracy and governance special objective in accordance with generally accepted government auditing standards. The audit assessed USAID/Benin's internal controls over the monitoring of democracy and governance activities, as well as the quality of data reported in its FY 2001 Results Review and Resource Request. Specifically, the audit addressed whether USAID/Benin:

- Monitored activities to ensure that beneficiaries were receiving the intended benefits and the activities were achieving the intended results;
- Monitored activities to ensure that grantees were complying with the requirements of their respective agreements;
- Designed objective performance indicators;
- Ensured that reported data were supported, accurate and complete;
- Ensured that reported data were validated by performing data assessments; and
- Completed a performance monitoring plan.

The audit examined USAID/Benin's democracy and governance special objective with reported life of project funding of \$7.2 million, and expenditures of \$2.2 million, reported in the Mission Accounting and Control System (MACS) as of December 1999. We did not verify the reliability of the Mission's computer generated data; nor did we project the results of our test to items that we did not test.

The fieldwork was conducted at USAID/Benin in Cotonou, Benin, during the period November 1, 1999 to December 10, 1999.

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## Methodology

We began the fieldwork with a study and evaluation of the Mission's internal control system as it related to the democracy and governance special objective. This included an analysis of Mission guidance, the procedures followed for developing the performance indicators, and procedures for data collection and reporting. We then analyzed the Mission's internal control system and compared our results to the requirements found in USAID guidance. Since the Mission's performance monitoring control system was not functioning as intended, we assessed control risk as relatively high. For our determination of accuracy, we used an error threshold of plus or minus five percent.

From the Mission's MACS, we developed and identified a universe of three major grant agreements. Life of project funding for these three recipients totaled \$7.2 million, which is the amount subject to audit according to USAID's ADS guidelines. The three grant agreements selected for our detailed audit review are as follows:

- Volunteers In Technical Assistance (VITA), Special Objective No. 1, Microenterprise Development in Benin, (Project No. 6800217.00);
- Appropriate Technology International (ATI), Special Objective No. 1, Strengthening the Enabling Environment For Small Enterprise Through Improved Technology (Project No. 6800218.00); and
- Africare, Special Objective No. 1, Benin Indigenous Non-governmental Organization Strengthening: Phase II (Project No. 6800219.00).

These three recipients represented the principal activities under the special objective. We tested this sample to determine whether (1) beneficiaries were receiving intended benefits per grant agreements, and (2) grantees were complying with the terms of their agreements. We also tested the indicators for this special objective to determine whether they were (1) objective, (2) supported, (3) accurate, (4) complete, and (5) validated through data assessments. We also studied and evaluated the internal control system to determine whether it met USAID and federal requirements, which requires an adequate performance monitoring plan.



# U.S. Agency For International Development

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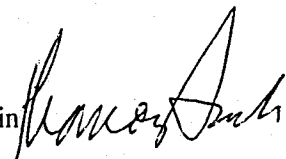
## memorandum

DATE: March 08, 2000

APPENDIX III  
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TO: Mr. Henry Barrett, RIG/A/Dakar

FROM: Mr. Tom Park, Mission Director, USAID/Benin



SUBJECT: Draft Audit Report Number 7-680-00-00X-P of USAID/Benin's Democracy and Governance Special Objective

As requested, the Mission has reviewed the RIG's draft audit report on USAID/Benin's Democracy and Governance Special Objective. Please find below our response to the report's recommendations.

### Recommendation No 1: "We recommend that USAID/Benin:

- 1.1 establish procedures to monitor grantees' property management and reporting systems under democracy and governance activities to ensure that property and equipment purchased with federal funds are managed and accounted for in accordance with USAID and federal regulations; and
- 1.2 obtain confirmation that the funds received from the sale of the motorcycles under the ATI grant agreement are properly accounted for in accordance with the grant agreement and USAID and federal regulations."

Mission Action Plan: In order to address audit finding 1.1, the DGT site visit check list and guidance on performing site visits have been modified to incorporate specific verification of inventory management. In addition, the Democracy and Governance Team has prepared and distributed a letter to each of their development partners reminding them of the standard provision language on inventory management in their grant agreements, and requesting their compliance with these requirements. Copies of this documentation will be submitted to the RIG for their review in order to close this audit finding prior to issuance of the final audit report.

Discussions have been held with Enterprise Works Worldwide (formerly ATI) in Washington, and per an e-mail received from their chief financial officer during the 1998 A-133 audit, the audit firm took a special interest in the reporting for Benin. Enterprise Works Worldwide's e-mail states that, "The auditors reviewed our method of recovering motorcycle payments and reporting expenses against the agreement. They were satisfied that the recovery and reporting were handled properly."

A faxed letter dated March 6, 2000 was received by the Mission from the audit firm Keller Bruner & Company which states the following: "As requested by Enterprise Works Worldwide, we have reviewed the general ledger detail for the Benin office related to the salaries and equipment expense accounts. We noted that the equipment expenses had been reduced by amounts that appear to be a result of employee withholdings. Thus, equipment expense is reported net of these credit amounts."

The 1999 A-133 audit for Enterprise Works Worldwide will begin in April. The audit firm has been asked to focus on this audit finding, and to provide a letter directly to the Mission that confirms that this income is accounted for in accordance with the grant agreement and USAID and federal regulations.

**Recommendation No 2: “We recommend that USAID/Benin establish procedures to ensure that applicable publications and other applicable information/media products under its democracy and governance activities are properly marked to acknowledge USAID funding as required by the standard provisions in the grant agreements.”**

Mission Action Plan: In order to address this audit finding, the DGT site visit check list and guidance on performing site visits have been modified to incorporate specific verification of compliance with marking requirements. In addition, the Democracy and Governance Team has prepared and distributed a letter to each of their development partners reminding them of the standard provision language on marking requirements in their grant agreements, and requesting their compliance with these requirements. Copies of this documentation will be submitted to the RIG for their review in order to close this audit finding prior to issuance of the final audit report.

**Recommendation No 3: “We recommend that USAID/Benin establish procedures to ensure that the data quality for indicators in its democracy and governance strategic framework conforms to USAID and federal requirements.”**

Mission Action Plan: The Performance Monitoring Plan, which is in development, will include official policies/procedures for reviewing/approving data quality. However, in the interim, the program office is preparing a Mission Notice to be used in conducting annual activity reviews with the checklists and guidelines to be used in verifying data quality. This Mission Notice will assist the DGT in addressing the issue in the short-term, pending completion of the mission wide performance monitoring plan. Copies of this documentation will be submitted to the RIG for their review in order to close this audit finding prior to issuance of the final audit report.

In order to address the specific concerns raised about the current DGT indicators, definitions of time periods covered by the indicators, clarification of terms used in the indicators, and comprehensive operational definitions are being incorporated into the Mission’s upcoming R4 report. In addition, the actions to be taken which address audit recommendations 4 and 6 will improve data accuracy and documentation for the specific DGT indicators identified. A copy of the DGT section of the 2001 R4 report that documents these improvements will be provided to the RIG by the end of this month.

**Recommendation No 4: “We recommend that USAID/Benin recompute the value for the indicator measuring the number of civil society organizations to determine the correct value for the indicator.”**

Mission Action Plan: This primary source indicator was being used by the Mission to measure the level of professionalism within the NGO community. However, given the difficulties experienced in accurately using the contractor’s assessment data, the Mission determined that a more accurate indicator of the Mission’s impact on professionalism in the NGO community would be obtained by focusing on the NGOs which work directly with the Mission’s partner PVO. Therefore, this primary source indicator is being discontinued in the R4 Report, and is being replaced by a more meaningful partner source indicator.

In consultations with the RIG, the DGT expressed concern about the time and resources that would be required to process over 300 surveys and recalculate the discontinued primary source indicator. Per discussions with the DGT and the RIG auditors, the consensus is that the value of recalculating an indicator that is no longer used would have only marginal benefits considering the effort expended. Therefore, since the above indicator is no longer being used, the RIG has kindly agreed to drop this recommendation from the final report.

**Recommendation No 5: "We recommend that USAID/Benin establish procedures to ensure that data assessments for each indicator for democracy and governance are completed in accordance with USAID and federal guidance."**

Mission Action Plan: The DGT staff are preparing signed check lists for each DGT R4 indicator in order to assess the required criteria based on the respective data source (secondary, partner, or primary). As part of the process, they are specifying how the criteria are being assessed; and the actions taken to date to assess compliance of each indicator with the respective criteria. These check lists are then being reviewed and signed by the DGT Special Objective Team leader. Copies of this documentation will be submitted to the RIG for their review in order to close this audit recommendation prior to issuance of the final audit report.

**Recommendation No 6: "We recommend that USAID/Benin complete a data assessment for the SAI indicator to provide for periodic review of data collection, maintenance, and processing and to ensure that the procedures are consistently applied and continue to be adequate."**

Mission Action Plan: DGT and Office of Financial Management staff have conducted site visits of each of the two SAIs in order to review the 1998 and 1999 audit report supporting documentation. An annual site visit has been incorporated into the draft action plan negotiated by the Mission and the Ministry of Finance's Inspector General de Finance (IGF). This action plan calls for the IGF to provide an annual summary audit report listing which will then be verified per the site visit. The finalized action plan documentation and site visit notes will be provided to the RIG as soon as the action plan has received clearance from the regional legal officer.

**Recommendation No 7: "We recommend that USAID/Benin develop a performance monitoring plan that conforms to USAID guidance."**

Mission Action Plan: A mission wide performance monitoring plan is currently in development under the guidance of the Mission's new program officer. As part of this process, the data quality of all the Mission's indicators will be reevaluated.

#### **Conclusion:**

USAID/Benin and RIG/Dakar have mutually agreed upon all the audit report recommendations. USAID/Benin appreciates the RIG's assistance, and believes that the implementation of the above action plans will further enhance USAID's Democracy and Governance program in Benin.

**FY 2001 R4 Indicators**  
**USAID/Benin Democracy and Governance Special Objective**

Indicator	Objective	Supported	Accurate	Complete			Validated (Data Assessments)
				Reliable Data Collection	Timely	Documentation	
No. of Civil Soc. Organizations			X		X		
No. of SAI Audits		X			X	X	X
Percentage of Loans					X		

Note: X indicates an exception